

Message Text

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ACTION EB-11

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E.O. 11652: N/A

TAGS ETRN, DA

SUBJ: NORTH ATLANTIC CARGO RATES

REF: A. COPENHAGEN 3014 (NOTAL) B. STATE 232670

SUMMARY: INITIAL DANISH DISAPPROVAL OF PANAM FILING WAS BASED, AT LEAST IN PART, ON SAS CONCERN OVER MAINTENANCE HOMOGENEOUS SCANDINAVIAN CARGO RATE STRUCTURE. SAS NOTED OSLO-CHICAGO PANAM RATE HIGHER THAN STOCKHOLM-CHICAGO DESPITE SHORTER DISTANCE. DANISH AUTHORITIES WERE ALSO DISTURBED BY HURRIED AND UNORTHODOX MANNER IN WHICH RATE FILING MADE. BOTH PAN AM AND SEABOARD HAVE NOW FILED NOVEMBER 30 FOR RATE CHANGES EFFECTIVE JANUARY 1 AND DANES HAVE PROMISED TO STUDY NEW REQUESTS CAREFULLY. THEY ARE STILL, HOWEVER, NEGATIVELY INCLINED.

ACTION REQUESTED: INFORMATION ON REASONS FOR ANOMOLOUS PANAM RATES TO SCANDINAVIAN POINTS. END SUMMARY.

1. IN VIEW OF NEW FILINGS BY PANAM AND SEABOARD. TRANSPORTATION MINISTRY OFFICIALS AKANDS AND MIKKELSEN CALLED IN EMBOFF DECEMBER 3 (EARLIER THAN ANTICIPATED IN REF A) TO REVIEW SITUATION. EMBOFF PROVIDED BACKGROUND TO CAB DECISION AND ACTIONS (REF B)

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WHICH DANISH OFFICIALS NOTED WITH INTEREST. THEY CONFIRMED,

AS PREVIOUSLY REPORTED, THAT EARLIER PANAM FILING WAS DISAPPROVED ON ADVICE FROM SAS THAT CARGO RATES PROPOSED BY PANAM WOULD DISRUPT HOMOGENEOUS CARGO PRICE SETTING IN SCANDINAVIA. SPECIFIC CASE CITED BY SAS INVOLVE OSLO, GOTHENBURG AND STOCKHOLM RATES TO CHICAGO. UNDER PRESENT STRUCTURE, UNDER 45 KILO PRICE IS DOLS 3.47/KILO FROM ALL THREE POINTS TO CHICAGO. UNDER PANAM FILING, RATES WOULD BE DOLS 3.95 FROM OSLO, DOLS 3.78 FROM GOTHENBURG AND DOLS 3.85 FROM STOCKHOLM. SAS ARGUED THAT SCANDINAVIAN PUBLIC WOULD FIND IT UNACCEPTABLE TO HAVE OSLO-CHICAGO RATE HIGHER THAN STOCKHOLM-CHICAGO DESPITE SHORTER DISTANCE OF FORMER. DANISH GOVT FOUND THIS ARGUMENT SUFFICIENT CAUSE FOR DISAPPROVAL OF PANAM FILING. (PANAM TOLD US THEY COME OUT WITH SLIGHTLY DIFFERENT FIGURES BUT OSLO PRICE REMAINS HIGHER THAN STOCKHOLM. PANAM IS QUERYING ITS HEADQUARTERS FOR REASON THIS ANOMALY.)

2. DANISH OFFICIALS ADMITTED THAT, FROM PURELY DANISH VIEWPOINT, PANAM RAE FILING COULD BE ACCEPTABLE BUT THEY FELT OBLIGATED TO TAKE FULL SCANDINAVIAN PICTURE INTO CONSIDERATION. BEYOND THIS, THEY WERE PUZZLED BY WAY IN WHICH FILING WAS HANDLED. THEY SAID PANAM CALLED NOVEMBER 14 TO STATE THEY HAD BEEN INSTRUCTED TO PUT NEW RATE SCHEDULE INTO EFFECT THE NEXT DAY AND ASKED FOR DANISH GOVT VIEWS. DANES TOLD PANAM TO HOLD OFF RATE CHANGE UNTIL GOVT HAS HAD CHANCE TO REVIEW. RESULT OF THIS LAST MINUTE "FILING" WAS HASTY DECISION TO DISAPPROVE. WHILE DANISH OFFICIALS WOULD NOT GO SO FAR AS TO SAY THAT MORE LEISURELY CONSIDERAION MIGHT HAVE ENDED IN DIFFERING JUDGEMENT, THEY EMPHASIZED NEED FOR MORE TIME TO ENSURE CONSIDERED DECISION. THEY WERE NOT CERTAIN THEY COULD DO BETTER EVEN NOW SINCE THEY HAVE ONLY UNTIL DECEMBER 16 (UNDER TERMS OF BILATERAL) TO GIVE ANSWER TONEW FILINGS. THEY NOTED THAT CONSULTATIONS NOT ONLY WITH SAS BUT AMONG THREE SCAN GOVTS ARE REQUIRED, OFTEN A TIME-CONSUMING OPERATION. IN THIS REGARD, THEY NOTED ECAC AGREEMENT FOR 90 DAY NOTIFICATION PERIOD WITH OBJECTIONS, IF ANY, TO TO BE REGISTERED WITHIN FIST 30 DAYS. THIS THEY FOUND FAR MORE REASONABLE TIME FRAME AND HOPED USG WOULD CONSIDER ADHERENCE TO THIS AGREEMENT.

3. DANES NOTED THEY WERE ALSO PUZZLED BY FAILURE OF PANAM TO MAKE INITIAL FILING WITH SWEDISH AND NORWEGIAN GOVTS. THEY AS YET HAD NO INFORMATION ON WHETHER PANAM HAS NOW DONE SO. WHILE NOT CONTENDING THAT THIS LAPSE IN PROCEDURE INFLUENCED THEIR LIMITED OFFICIAL USE

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NEGATIVE DECISION, THEY ADMITTED IT DID NOT HELP. (PANAM TOLD US SUBSEQUENTLY THAT, FOR UNKNOWN REASONS, NEITHER OSLO NOR STOCKHOLM OFFICES RECEIVED INITIAL INSTRUCTIONS BUT NEW FILINGS WITH BOTH GOVTS HAVE NOW BEEN MADE)

4. IN SUM, DANISH OFFICIALS SAID THEY WERE CONFRONTED BY RUSH DECISION ON COMPLEX MATTER PRESENTED TO THEM IN UNORTHODOX MANNER. NONETHELESS, THEY EMPHASIZED THAT REJECTION OF FILING HAD

BEEN FOR SUBSTANTIVE AND NOT RPT NOT PROCEDURAL REASONS. THEY ARE UNHAPPY THAT MATTER WAS PRESENTED IN THIS FASHION BECAUSE THEY FELT USG SHOULD ALREADY HAVE BEEN AWARE OF SAS PROBLEMS WHICH WERE OUTLINED AT MEXICO CITY IATA MEETING LAST SUMMER. IATA COMPROMISE PACKAGE TOOK CARE OF SAS CONCERNS IN MANNER THEY FELT WOULD MEET CAB INTERESTS. THIS TURNED OUT NOT TO BE THE CASE. UNDER CIRCUMSTANCES, DANISH OFFICIALS FELT THEY COULD DO NO MORE THAN SUPPORT SAS POSITION UNTIL FURTHER COMPROMISE ACCEPTABLE TO ALL SIDES WORKED OUT. DANES WOULD MUCH PREFER THIS TO BE DONE IN IATA FRAMEWORK SINCE

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THEY CLAIM, DANISH GOVT DOES NOT RPT NOT POSSESS EXPETISE TO HANDLE QUESTIONS OF THIS NATURE.

5. WHILE NOTING HE DID NOT HAVE SUFFICIENT BACKGROUND TO DISCUSS DETAILS, EMBOFF SAID THAT HE WAS PUZZLED BY CLAIM THAT PANAM FILING WOULD RESULT IN HIGHER RATES FOR SHORTER DISTANCES SINCE CAB DECISION HAD PROVIDED FOR STANDARD RATE PER MILE MULTIPLIED BY NUMBER OF MILES BETWEEN POINTS. NEITHER EMBOFF NOR DANISH OFFICIALS WERE ABLE TO UNDERSTAND THE APPARENT ANOMALY IN THE OSLO AND STOCKHOLM TO CHICAGO RATES. EMBOFF SAID HE WOULD NOTIFY WASHINGTON OF QUESTIONS RAISED BY DANES AND ASKED THAT, IN MEANWHILE, THEY HOLD OFF ANY DECISION ON PANAM AND SEABOARD FILINGS. DANISH OFFICIALS SAID THEY WOULD TRY BUT NOTED DECEMBER 16 DEADLINE WHICH THEY WOULD NOT LET PAS IF THEIR VIEWS, AS PRESENTLY, REMAIN NEGATIVE.

6. COMMENT: IT SEEMS TO US THAT, DESPITE STATEMENTS TO THE CONTRARY, DANISH REJECTION OF PANAM FILING WAS BASED TO LARGE EXTENT ON HASTY AND UNORTHODOX PRESENTATION. DANISH AUTHORITIES SAID THAT, BECAUSE OF NEW FILING, THEY WILL NOW LOOK INTO QUESTION MORE THOROUGHLY. ONLY REASON FOR PREVIOUS REJECTION THEY HAVE CITED IS ANOMALY IN PANAM RATES FOR OSLO AND STOCKHOLM. WE BELIEVE THAT CLARIFICATION OF THIS QUESTION WOULD BE HELPFUL IN MOVING LIMITED OFFICIAL USE

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DANES TOMORE POSITIVE VIEW.

7. ACTION REQUESTED. INSTRUCTIONS ON RESPONSE TO DANISH AUTHORITIES REGARDING CITED APPARENT ANOMALIES IN PANAM FILING. CROWE

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